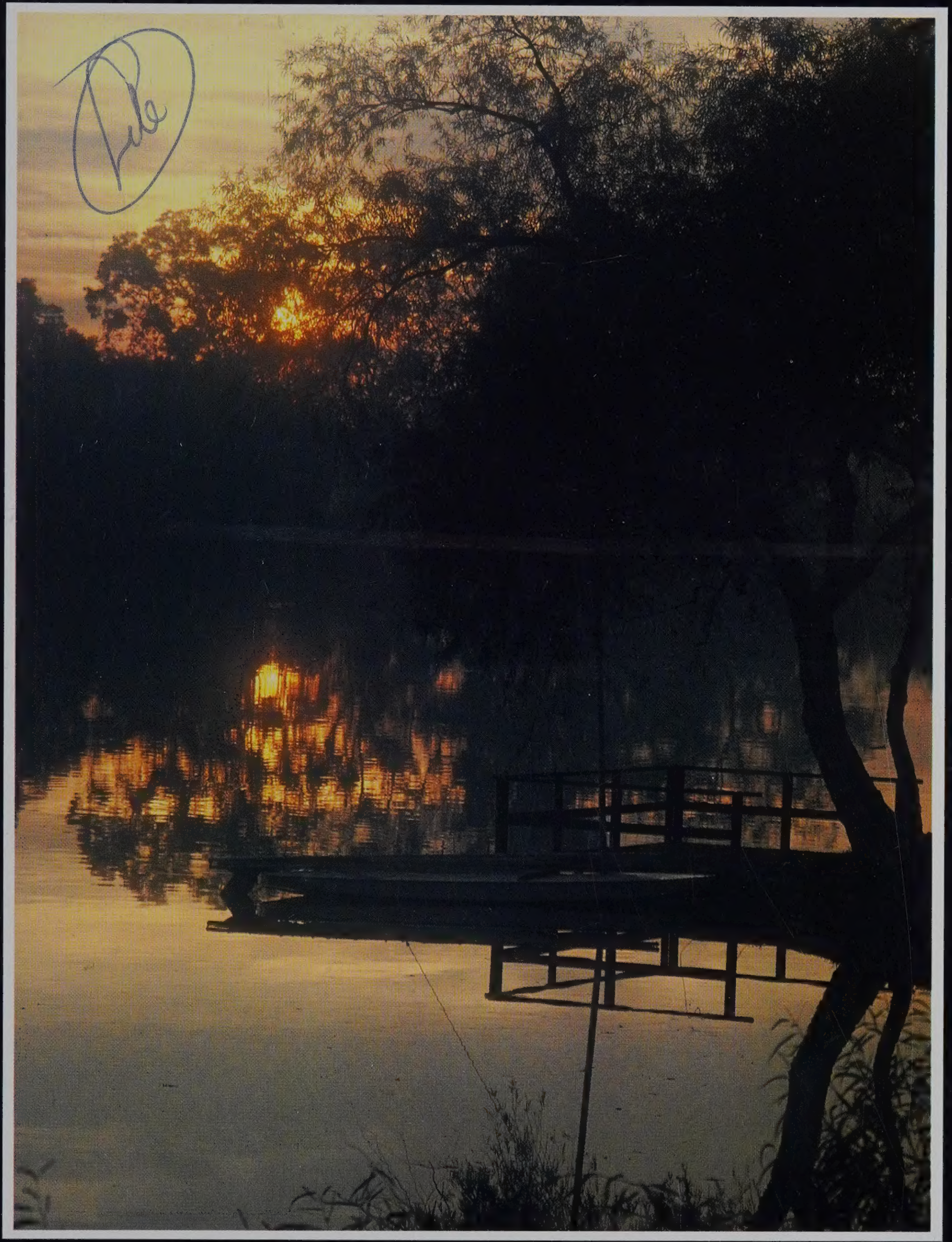
AR07

Monarch Investments Limited 1979



TAYLOR WOODROW

Front cover

Evening comes on Eldridge Lake, part of
Monarch's Sugar Lakes project in Houston, Texas.

58th Annual Report to our Shareholders

I have pleasure in presenting to our shareholders the Report for the year ended December 31, 1979 and the audited financial statements reported upon by our auditors Peat, Marwick, Mitchell & Co. The statements include a Consolidated Balance Sheet, Consolidated Statement of Earnings and Retained Earnings and a Consolidated Statement of Changes in Financial Position.

FINANCIAL STATEMENTS

In 1979 the earnings before depreciation, income taxes and minority interest amount to $5,342,000 being an increase of $671,000 over the comparable figure for 1978. The net earnings for the year, after taxes and deduction of the minority interest, amount to $2,410,000 compared with $2,212,000 in 1978. Turnover rose from $32,177,000 to $42,713,000 as a result of increased house sales. We delivered 483 homes to purchasers during the year compared with 305 in 1978. Total assets have now attained a book level of $85,420,000.

The Directors and Officers of the Monarch Group during a visit of Sir Frank & Lady Taylor on the occasion of the 25th anniversary of the association of Taylor Woodrow and Monarch.

Back row left to right: D.R. Wilson, J.S. Farquharson, D.F. Johnstone, R.A. Wykes, G.E. Jackson, N.J. Notley, A.K. Leitch, T. Ralph, G.A. DesLauriers.

Front row left to right: R.E. Aldred, Lady Christine Taylor, Sir Frank Taylor, C.J. Parsons, G.E.W. Winship, G. Drummond Birks.

Housing Projects

SCARBOROUGH

Chartwell

After twelve years of intensive development this project is now approaching completion. A good rate of progress was achieved during the year by both the Chartwell Homes and the Heron's Hill divisions. Shareholders will be interested that our top line house in the first year of development in 1968 sold for approximately $30,000 compared with $110,000 in 1980. The marketing in Chartwell is now complicated because the Municipality insists that single family, semi-detached and townhouses be combined on the same street, in addition to different sized lots being required for each product. During the year competition was more severe for the lower priced units than for the larger single family homes. The Place on the Park condominium project has now been completed and sold but we suffered in this project from the general malaise that has affected the condominium market.

Interior view of Monarch's unique Sales Pavilion in Milliken, Scarborough.

Milliken

The first stage of the Milliken project began in the middle of the year and sales have been reasonable in the light of the intensive competition in that area. Notwithstanding higher prices, it appears there has been a decided shift in preference by house purchasers in favour of the single family home, away from the townhouse and semi-detached product. We are carefully examining our future land use plans in order to react in the most suitable fashion to market requirements, even though the official plan of the Municipality favours a more intense form of development. Unfortunately, unlike the United States, the selection of land use is largely determined by the Municipality notwithstanding the requirements of the consumer and developer. The price range of products in this subdivision is now from $63,000 to $92,000.

Bridlewood

As noted in last year's Annual Report we have commenced our third project in Bridlewood, this time consisting of semi-detached homes. In spite of a relatively fast commencement, the project has slowed down in recent months primarily due to high interest rates. Bridlewood, however, is an outstanding location and we expect this project to move to completion in 1980.

The New Hampton located in Maplewood Park, Burlington — a small enclave of private residences in a well established community. This model sells at $91,900.

DUNDAS

We have again experienced delay due to continuing disagreement among the residents, the Municipality, the Conservation Authority, the Railway Company, and the Regional Government concerning a ring road to connect the development to a second access. Consequently we have been unable to commence the final stage of this project.

Left to right: Colin Parsons, Joan Bates, John Latimer, Jim Moir and Dennis Coppins in front of the temporary sales office for the first phase of The Bridle Trail, Monarch's prestigious new development in Unionville, Ontario.

UNIONVILLE

After eleven years of hard work and negotiations with the Municipality, the Regional Government and the Ministry of Housing of the Province of Ontario, this project has now commenced. The first phase of "The Bridle Trail" is currently being serviced with roads and sewers and we have commenced construction on our model homes. Occupancy by purchasers should occur in the late summer of 1980 and the price range will be somewhat higher than was originally anticipated.

Our present proposed prices for semi-detached and single family homes range from $96,000 to $134,000 although we will have to maintain maximum flexibility to match purchaser requirements. Our development costs have been substantially increased due to the imposition upon us by the Municipality of an extensive storm water management system which is a new and expensive feature of subdivision development in the Province. This should be a very attractive subdivision close to the existing community of Unionville and we are anticipating it will have a good reception from the marketplace.

KITCHENER/WATERLOO

Beechwood North

We have made significant advances into the new area we acquired in 1979 and sales are going along at a reasonably steady rate. It was necessary during the year for us to change both the design and location of our model homes to meet local market requirements. The Kitchener/Waterloo area is becoming intensely competitive but we do have the advantage of being in an established locale close to the University.

Beechwood Forest

This project, which was previously known as Highland West, is now being serviced and we anticipate that model home construction will start in the Spring. The first phase has a number of very attractive lots which are heavily treed and they should provide a good program for a continuation of our Beechwood North project. During the year we ran into adverse ground conditions which now have been overcome. We anticipate that homes in this area will be selling for approximately $90,000.

Highland Gate

This project was our first zero lot line development (which permits construction up to the side lot line) in a low priced bracket. The houses, which were fully detached single family bungalows on freehold lots, sold for $45,000 and undoubtedly were considered very good value as the project is now completely sold out.

Classic elegance is the keynote in the design of the Beech Royal priced from $92,500 and located in Beechwood North, Waterloo.

Doon

The planning on this community proceeded during the year although the changing market conditions in Kitchener/Waterloo area have caused us to re-examine our mix of proposed housing units. This area is very attractive and is close to the historically significant Village of Doon.

ST. CATHARINES

We are proceeding with the filing of a draft plan on our land in St. Catharines now that the matter of urban boundaries has been partially resolved. We are considering the type of housing that should be built in this subdivision very carefully before any construction of model homes is undertaken. Employment in the area will improve due to the new plant to be opened by General Motors in a few years time.

BURLINGTON

The Municipality has agreed to consider the planning implications of our residential project and to budget time for development criteria to be examined. We have, however, been able to proceed with the development of our industrial lands. The planning process in Ontario is a long and arduous one which means commencement of house construction is still a number of years away.

We opened our Maplewood Park Development in Burlington during the year where the demand for more expensive housing was stronger than for more modestly priced homes. Most of our houses are selling for over $100,000. Overall our sales have been slow but we have been able to obtain an in-depth knowledge of the local market and it should do well in 1980 provided interest rates return to a more acceptable level.

LONDON

Westminster Park

Westminster Park continued to have a reasonably good year although again competition was substantial. We opened a new line of model homes and our prices now range from $59,000 to $73,000. During the year we also commenced planning more single family lots on a strategically located block of land in an earlier phase of the project which is no longer suitable for its original intended use for condominium development.

Maylard Estates

The Municipality has run into a major problem due to overspending of its development fund which is utilized for the purpose of installing trunk services and this has caused delay in getting the project underway. Additionally there was a dispute with an adjoining land owner which has now been settled. We now are hopeful of commencing this development in late 1980.

Oakridge Meadows

The problem concerning trunk services experienced at Maylard Estates also affected this project which will probably delay us for a further year or so. Discussions are also continuing with the regulatory authorities about noise abatement procedures for an adjacent railway line.

QUEBEC

Vaudreuil

The Vaudreuil subdivision has made some progress during the year but it has not been satisfactory. We have sold lots to

The Windsor — part of the latest model line in Westminster Park, London, Ontario. This 1,280 sq.ft. home sells for $64,950.

Heronmere — Monarch's popular condominium garden residences in The Meadows, Sarasota, Florida, many of which units overlook the golf course.

two other builders who are building in the subdivision. The position has been further complicated by the Provincial Government insisting that in future, Municipalities require developers to pay for site services on a direct basis rather than by way of local improvement taxes. This undoubtedly will have the effect of increasing the price of serviced lots once our current inventory is fully utilized. We are anticipating carrying out some further improvements to the development in the Spring in order to enhance its marketability.

Pointe Claire

The Beacon West subdivision, which is adjacent to the Beaconsfield Golf Course, has had a great deal more activity in recent months. There has been a significant increase in the number of French Canadians buying in this area which was previously predominantly English speaking. If the current trend continues we anticipate that this subdivision should have a reasonably good year as there appears to be a shortage of serviced lots on the west side of the Island of Montreal. Real estate prices continue to rise from the low levels experienced after the last Provincial election.

FLORIDA

Sarasota

The Meadows enjoyed the best year since its opening and Monarch completely sold out the Heronmere I project consisting of sixty garden apartments. We have also commenced construction of Heronmere II consisting of seventy-two garden apartments and sales on this development are proceeding at a good rate. We are now planning a further garden apartment project as well as a grouping of condominium homes to be known as Villa Majorca. Although the sales of single family homes have continued at a somewhat slower rate, it is interesting to note that European and British purchasers are acquiring a significant number of homes. Undoubtedly the opening of the clubhouse and dining room had a great deal to do with the success of this project in 1979.

TEXAS

Houston

We have now completed the installation of roads, sewers and watermains in the first phase of our Sugar Lakes project and the construction of the main lake is about fifty percent complete. We have entered into sales agreements with four local builders and have commenced a building program of our own. The Houston market at the present time is somewhat overbuilt, and this, combined with high interest rates, has slowed the rate of sales. Nevertheless we are confident that this will be an outstanding subdivision. Our models should be ready for marketing in the late spring of 1980 and we are anticipating that the community centre, which is being utilized as a sales office, will be completed very shortly.

We have priced our housing at a somewhat higher level than was originally anticipated and prices commence at $125,000. In order to increase our yield and to produce smaller units, we are proceeding with the replanning of a section of the land to accommodate our Oyster Bay development. This will consist of lake oriented homes which will be on freehold lots with a private road system and will sell for approximately $80,000 each.

Aerial view of Sugar Lakes showing the holdings of the Heronhill Corporation, Houston, Texas. The main expressway to downtown Houston is on the left with Horseshoe Lake in the foreground and Oyster Creek in the background.

Rental Projects

Eglinton Square Shopping Centre, Scarborough

This shopping centre had a successful year although the high rates of interest affected the sales of furniture and big ticket items in the last quarter. We have changed a number of tenancies in order to improve our mix and are currently working with the Borough to endeavour to expand the centre. This is likely to be a long drawn out process in view of the attitude of ratepayers adjoining the project and of the planning department of the local Municipality.

Kipling Heights Shopping Centre, Etobicoke

Sales have improved at this centre during the year and there were a number of small changes made to the stores. Although there were vacancies earlier in the year, theyhave now been filled and the centre is responding favourably, despite the increased competition in the immediate vicinity.

Joe Pereira, Project Manager — Industrial, and George Miller, Marketing Manager — Industrial, review plans for the latest addition to Honeywell's expansion program. This 90,000 sq. ft. facility in Scarborough will house the Company's technical operations centre.

Chartwell Shopping Centre, Agincourt

Although there are no vacancies, the proliferation of small neighborhood centres, close to this centre, has curtailed its growth during the year.

42-48 Charles Street East, Toronto

This building is fully leased and is showing a reasonably good return in this central location.

Heron's Hill, Willowdale

The discussions with the Municipality and the Province concerning the proposed road access stretched on through the year but we anticipate that they will be coming to a conclusion this year. The alignment of this road has affected the development of the balance of our lands, but in the meantime the occupancy of Phase I has continued without any significant vacancies.

Apartments, Toronto

The vacancy rate in Toronto for apartments is low due to an inadequate level of new construction principally because of rent control. During the year the vacancy rate was eased by projects being converted to rental which were unsuccessfully marketed as condominium projects. There will continue to be a shortage of rental accommodation in Toronto as long as rent control exists.

Terminal Towers, Hamilton

This project has had a successful year although there remains a persistent vacancy in the office tower which has recently been reduced. The apartments continue with low vacancies and the Holiday Inn Hotel has had satisfactory results. The shopping centre did well with sales showing good strength in spite of a rather weak local economy. At the end of 1979 we acquired the separately held interest of the Taylor Woodrow Group in this project. Subsequently we amalgamated Monarch Property Developments Limited, which owned the property, and Monarch Construction Limited to bring about increased administrative efficiency.

Industrial Developments

Chartwell Industrial Park, Scarborough

We have had a number of inquiries for new projects in the Chartwell Industrial Park and in the Fall of the year we commenced construction upon a 90,000 square foot building consisting of offices and warehouse space for Honeywell Limited. This project, which is financed, designed and constructed by Monarch Construction Limited, will be leased to Honeywell Limited and should be delivered to them in April 1980. The Huntingwood Business Complex, Phase II, consisting of approximately 45,000 square feet of high quality industrial space has now been almost completely leased and we are in the process of constructing our next multiple occupancy building. This building will probably have larger units than Huntingwood Business Complex as we see a better demand for this type of project.

Industrial Estates West, Burlington

We have been able to get our land under development in Burlington Industrial Estates West and services are being installed over the winter. We will be able to commence a marketing scheme in mid 1980. An essential ingredient to this project will be the construction by the Province of an intersection at Appleby Road and the Queen Elizabeth Highway close to our access point. This is scheduled to be undertaken in 1981.

Clarkside Industrial Park, London

We have now completed the installation of services in this subdivision and we are anticipating some action on the project in 1980. The position regarding industrial land in London however, is extremely competitive which is complicated by the Municipality marketing its own industrial land.

General

The housing market in Ontario is going through a difficult period as the demand for housing diminishes with the maturing of the baby boom generation and the reduction in immigration. Fortunately most of our lands are well located which will reduce the effect on the company, but nevertheless, we are going to have to be extremely competitive in order to maintain our position in the marketplace. The present high level of mortgage interest rates is having an inhibiting effect upon sales and expectations for 1980 will have to be reduced if the high rates remain well into the year. There appears to be growing optimism in the Province of Quebec now that a date for the Referendum has been set. This is a welcome situation, but nevertheless it is apparent that for the immediate future better unit profits can be expected from U.S. operations than can be obtained domestically and accordingly we shall seek further land purchases south of the border.

All facets of our society are having to face up to the increasing costs of energy and we are fortunate that Canada has such large reserves of natural gas and oil as well as other natural resources. House purchasers express interest in energy saving design and features, but conversely do not appear to be prepared to pay the premium that is necessary to build a house to these increased specifications. We have also found that the large detached single family home continues to be the most popular product on the market in spite of the criticism that this form of housing receives from some quarters. Our company generally builds houses which have specifications in excess of the minimum requirements for energy conservation, and we are going to continue to stress this aspect in our advertising and marketing.

There have been a number of changes on the Board of Directors since the date of the last report. Mr. R.A. Wykes and Mr. A.K. Leitch have both retired as Directors after having given us many years of excellent service. Mr. Wykes was formerly President of the Company and Mr. Leitch who was Vice-President and Secretary had been with the Company since 1946. We have been pleased to welcome to the Board of Directors Mr. G.A. DesLauriers, B.A. and Mr. A.C. Emmott, P.Eng. who we are sure will make a significant contribution to the company. We have appointed Mrs. Annette Friedman, LL.B. as Secretary and Mr. R.C. Furnivall, C.A. as Controller of the Corporation. We have also reorganized our U.S. operations for administrative and management reasons. As a result all U.S. operations are now conducted by subsidiary companies of Monarch Holdings (U.S.A.) Inc.

During the year under review, all members of our Team have continued to make great efforts, and I take this opportunity of expressing, on behalf of the Board of Directors, our thanks for the hard work performed. I would also like to thank our professional associates, bankers, suppliers and sub-contractors for having given us such excellent support.

Toronto
March 1980

President

Model Heron 34 located in the second phase of Monarch's building in Bridlewood. Annette Morrice, Sales Representative and Jennie Barnes, Marketing Department, study the format of this $85,300 home featuring 100% brick construction.

Consolidated Balance Sheet

December 31, 1979
with comparative figures for 1978

Assets	**1979**	1978
Accounts receivable	**$ 1,933,000**	$ 929,000
Income taxes recoverable	**140,000**	60,000
Mortgages and other secured receivables (note 2)	**843,000**	1,604,000
Inventory of land, development costs and construction in progress (note 3)	**59,979,000**	53,310,000
Rental properties:		
Building and equipment, at cost	**26,810,000**	25,891,000
Less accumulated depreciation	**6,459,000**	6,025,000
	20,351,000	19,866,000
Land at cost	**2,174,000**	2,212,000
	22,525,000	22,078,000
Other assets	**——**	50,000
	$85,420,000	$78,031,000

See accompanying notes to consolidated financial statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Monarch Investments Limited as at December 31, 1979 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who examined the financial statements of one subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 20, 1980

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Monarch Investments Limited

Consolidated Balance Sheet

December 31, 1979
with comparative figures for 1978

Liabilities and Shareholders' Equity	**1979**	1978
Bank indebtedness — partially secured by assignment of amounts receivable	**$ 3,437,000**	$ 1,218,000
Accounts payable and accrued liabilities	**6,068,000**	4,398,000
Mortgage advances on construction	**1,626,000**	1,709,000
Deferred profits on land sales	**49,000**	765,000
Long-term debt:		
Mortgages payable (note 4)	**26,555,000**	25,054,000
Other (note 5)	**13,240,000**	14,427,000
	39,795,000	39,481,000
Deferred income taxes	**4,038,000**	2,567,000
Minority interest	**1,226,000**	690,000
Shareholders' equity:		
Capital stock (note 6):		
Common shares without par value. Authorized 3,754,180 shares; issued 2,620,735 shares (1978 — 2,618,735 shares)	**7,704,000**	7,691,000
General reserve	**2,000,000**	2,000,000
Retained earnings	**19,477,000**	17,512,000
	29,181,000	27,203,000
Contingent liabilities (note 7)		
	$85,420,000	$78,031,000

On behalf of the Board:

Director

Director

Consolidated Statement of Earnings and Retained Earnings

Year Ended December 31, 1979
with comparative figures for 1978

	1979	1978
Revenues:		
Land development and construction	**$35,373,000**	$25,108,000
Rental properties	**7,274,000**	6,876,000
Interest and sundry	**66,000**	193,000
	42,713,000	32,177,000
Expenses:		
Cost of land and houses sold	**28,774,000**	20,299,000
Rental property operating expenses	**3,488,000**	3,094,000
Depreciation	**529,000**	482,000
Interest (note 9)	**2,338,000**	1,876,000
General and administrative expense	**2,771,000**	2,237,000
	37,900,000	27,988,000
Earnings before income taxes and minority interest	**4,813,000**	4,189,000
Income taxes		
— current	**864,000**	933,000
— deferred	**1,471,000**	990,000
	2,335,000	1,923,000
Earnings before minority interest	**2,478,000**	2,266,000
Minority interest in earnings of subsidiaries	**68,000**	54,000
Net earnings for the year	**2,410,000**	2,212,000
Retained earnings at beginning of year	**17,512,000**	15,640,000
	19,922,000	17,852,000
Dividends paid	**445,000**	340,000
Retained earnings at end of year	**$19,477,000**	$17,512,000
Earnings per share calculated on weighted average number of shares outstanding	**$ .92**	$ .93

See accompanying notes to financial statements.

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1979
with comparative figures for 1978

	1979	1978
Financial resources provided:		
From operations	**$ 3,725,000**	$ 4,503,000
Land and development costs realized through sales	**6,667,000**	4,917,000
Long-term borrowings	**4,424,000**	7,813,000
Collection of mortgages receivable	**1,234,000**	250,000
Increase in accounts payable	**1,670,000**	—
Issuance of preference shares by subsidiary	**1,226,000**	—
Decrease in construction in progress	**782,000**	—
Issue of common shares	**13,000**	3,870,000
Increase in mortgage advances on construction	—	928,000
Total financial resources provided	**19,741,000**	22,281,000
Financial resources used:		
Land held for and under development	**14,118,000**	11,337,000
Increase in construction in progress	—	2,561,000
Repayments of long-term debt	**4,110,000**	4,632,000
Decrease in mortgage advances on construction	**83,000**	—
Mortgages and other secured receivables	**473,000**	1,326,000
Expenditures on rental properties	**471,000**	746,000
Purchase of former minority interest in subsidiary	**1,226,000**	—
Dividends paid	**445,000**	340,000
Net change in other assets and liabilities	**1,034,000**	972,000
Total financial resources used	**21,960,000**	21,914,000
Increase (decrease) in net bank indebtedness	**$ 2,219,000**	$ (367,000)
Represented by:		
Bank indebtedness:		
Beginning of year	**$ 1,218,000**	$ 1,585,000
End of year	**3,437,000**	1,218,000
	$ 2,219,000	$ (367,000)
Financial resources provided from operations — per share, calculated on weighted average number of shares outstanding	**$1.42**	$1.89

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1979

1. Accounting Policies:

The accounting policies of the company conform with accounting principles generally accepted in Canada. Details of significant accounting policies follow:

(a) The accounts of all the company's subsidiaries have been consolidated. All material intercompany balances and transactions have been eliminated upon consolidation. The accounts of joint ventures for land development have been consolidated in the financial statements on the proportionate line by line basis.

(b) Income on housing unit sales is recognized when the purchasers become entitled to occupancy. Gross profit on sales of lots to builders is deferred and brought into earnings in proportion to cash received on account of the sale, after such receipts exceed 15% of the total sales price.

(c) Land, development costs and construction in progress are carried at the lower of cost and estimated realizable value. The companies add to the original cost of undeveloped land carrying charges including realty taxes, professional fees and interest. Carrying costs are reduced by rentals received on undeveloped land.

(d) Interest, other than that relating to development land, is charged to current operations.

(e) Rental properties are depreciated principally by the sinking fund method using a 5% rate by which the cost of the properties will be amortized over an estimated useful life of 40 years in amounts increasing year by year. Properties carried at an aggregate net book value of approximately $3,900,000 are depreciated using the straight-line method and at December 31, 1979 have remaining estimated useful lives averaging 16 years.

(f) The cost of land held for development in the United States is translated into Canadian dollars at exchange rates prevailing when the costs were incurred; monetary assets and liabilities denominated in United States dollars are translated into Canadian dollars at the exchange rate prevailing at the end of the year; and exchange gains and losses resulting from these translations will be capitalized as part of development costs during the development period.

2. Mortgages and Other Secured Receivables:

These amounts bear interest at rates ranging from 6% to 14% with a weighted average rate of 10.6% and are repayable in 1980 — $321,000; 1981 — $127,000; 1982 — $105,000; 1983 — $66,000; 1984 — $117,000; and 1985 and later $107,000.

3. Inventory:

Land, development costs and construction in progress comprise the following:

	1979	1978
Construction in progress	**$ 6,649,000**	$ 7,431,000
Land under development, including development costs	**19,180,000**	9,607,000
Undeveloped land	**34,150,000**	36,272,000
	$59,979,000	**$53,310,000**

4. Mortgages Payable:

Mortgages payable bear interest at rates ranging from 6% to 16% with a weighted average rate of 9.4% and are repayable as follows:

	Rental Properties	Secured by Land Held for Development	Total
1980	$ 283,000	$ 4,879,000	$ 5,162,000
1981	305,000	2,657,000	2,962,000
1982	340,000	2,632,000	2,972,000
1983	299,000	5,352,000	5,651,000
1984	155,000	462,000	617,000
1985 and later	9,191,000	—	9,191,000
	$10,573,000	$15,982,000	$26,555,000

5. Other Long-Term Debt:

	1979	1978
Of the Company:		
First Mortgage Bonds — 6¾% due October 1, 1979	$ —	$ 72,000
Sinking Fund Debentures, Series A — 8% secured on shares of subsidiaries and by a floating charge on all other assets of the company; sinking fund payments of $125,000 annually required 1980 to 1992 with balance due February 1, 1993	**2,031,000**	2,200,000
Unsecured notes (including $1,750,000 (1978 — $2,000,000) in United States Funds) due in semi-annual instalments over a period of eight years; interest rates are variable throughout the duration of the loan and average 13⅔% on December 31, 1979	**2,919,000**	3,372,000
Of subsidiaries:		
First Mortgage Bonds — repayable in equal monthly instalments combining principal and interest to 1998:		
Interest at 7%	**4,495,000**	4,615,000
Interest at 8%	**1,693,000**	1,733,000
Unsecured advance by an affiliated company ($1,800,000 United States Funds) 9% due December 31, 1982.	**2,102,000**	2,135,000
Unsecured advance by an affiliated company — 6%	—	300,000
	$13,240,000	$14,427,000

The amount shown above for Sinking Fund Debentures, Series A at December 31, 1979 is net of $219,000 (1978 — $175,000) principal amount of such debentures repurchased and available for application against future sinking fund requirements.

The aggregate scheduled repayments required with respect to the above long-term debt amount to $589,000 in 1980; $633,000 in 1981; $2,843,000 in 1982; $755,000 in 1983; $771,000 in 1984; and $7,649,000 in 1985 and thereafter.

6. Capital Stock:

(a) The authorized capital was increased during the year by 1,000,000 common shares.

(b) 50,000 common shares have been reserved for issuance under the company's share purchase plan. The plan provides for the purchase of common shares of the company by senior employees at a price not less than 90% of market prices at the date of subscription for the shares. Under the plan the company may loan the senior employees the amounts required for share purchases and shares acquired by the employees are to be held by a trustee until the related loans are paid. Upon approval of the plan by The Toronto Stock Exchange, the company will issue 26,000 common shares to senior employees at a price of $9.68 a share.

(c) At December 31, 1979, options covering 3,000 common shares were outstanding at $6.48 per share exercisable to March 14, 1980. During the year 2,000 shares were issued pursuant to option agreements for $12,960 cash.

7. Contingent Liabilities:

The company and certain subsidiaries are contingently liable:

(a) in respect of first mortgages assumed by purchasers of properties sold, and

(b) in respect of joint venture obligations (almost entirely mortgages on land for development) approximating $2,119,000.

8. Litigation:

An action has commenced against a subsidiary in which the plaintiff claims approximately $500,000 for an alleged breach of contract. The subsidiary's position is that there was no breach of contract and, on the advice of legal counsel, the action is being vigorously defended.

9. Interest Expense:

	1979	1978
On long-term debt	$ 3,766,000	$ 3,331,000
On other debt	222,000	235,000
	3,988,000	3,566,000
Charged to land held for development	1,650,000	1,690,000
	$ 2,338,000	$ 1,876,000

10. Joint Ventures:

The companies' share of the assets and liabilities of their joint ventures for land development (which have been accounted for on the proportionate line by line basis) is as follows:

	1979	1978
Investment in land and development costs	$ 6,876,000	$ 5,042,000
Mortgages payable	(1,068,000)	(1,149,000)
Other long-term debt	(2,331,000)	(2,135,000)
Net other assets (liabilities)	170,000	(73,000)
Equity in joint ventures	$3,647,000	$1,685,000

The companies' proportion of the revenues and expenses of the joint ventures is insignificant.

11. Supplementary Information:

The aggregate direct remuneration paid in 1979 to directors and senior officers of the company, as defined by The Business Corporations Act (Ontario) was $339,000 (1978 - $311,000).

Directors and Officers

C.J. Parsons, C.A.*
President

G.E.W. Winship*
Senior Vice-President

R.E. Aldred, F.I.Q.S, F.I.O.B.
Joint Deputy Chairman & Joint Managing Director
Taylor Woodrow Limited

G. Drummond Birks
President
Henry Birks & Sons Limited

G.A. DesLauriers, B.A.*
Vice-President

A.C. Emmott, B.A.Sc., M.B.A., P.Eng.*
Vice-President

J.S. Farquharson, Q.C.
Partner, McMillan, Binch, Solicitors

G.E. Jackson
Senior Vice-President
Reed Stenhouse Limited

D.F. Johnstone
Vice-President, Property Investments
The Standard Life Assurance Company

Sir Frank Taylor, D.Sc. (Hon.), F.I.O.B.
Founder and Life President
Taylor Woodrow Limited

*Executive Directors

D.R. Wilson, C.A.
Treasurer

A. Friedman, LL.B.
Secretary

R.C. Furnivall, C.A.
Controller

Solicitors
McMillan, Binch

Auditors
Peat, Marwick, Mitchell & Co.

Bankers
The Toronto-Dominion Bank

Bank of Montreal

Transfer Agents
Canada Permanent Trust Company

Debenture Trustee
Royal Trust Company

Principal Operating Subsidiaries
Monarch Construction Limited
Montrow Realty Limited
Monarch Holdings (U.S.A.), Inc., Delaware
The Heronhill Corporation, Texas
Oak Wood Homes, Inc., Texas
Monarch Homes of Sarasota, Inc., Florida

Management Team

Bill Amis
Manager, Residential & Commercial Properties

Joan Bates
Marketing Manager — Residential

Don Brumby
Manager — Site Servicing

Muriel Byers
Office Manager

Murray Jackson
Project Manager — Milliken/Burlington

John Karel
General Manager — Sarasota

John Latimer
Manager — Land Development

Hector MacHutchon
Project Manager — London

George Miller
Marketing Manager — Industrial

Jim Moir
Area Manager — Unionville

Robert Pillenière
Area Manager — Quebec

Bill Robertson
Regional Manager — Western Ontario

Byron Scott
Manager — Residential Construction

Ian Taylor
Development Manager

Bazz Van Willigen
Project Manager — Kitchener/Waterloo

Bob Warnock
Manager — Commercial Construction

Bob Wells
Manager — Shopping Centres

Ted West, Jr.
General Manager — Houston